



Credit Union National Association

CUNA Issue Summary

SMALL BUSINESS ADMINISTRATION (SBA)

ISSUE: The Small Business Administration's (SBA) 7(a) Guaranteed Loan Program provides America's small business owners with capital to start or expand their businesses. Its preservation is vital to ensuring that small businesses have access to the capital they need to grow and sustain their businesses. The program guarantees loans from participating financial institutions that make loans to small companies. In February of 2003, the SBA expanded its guaranteed loan program to all credit unions, regardless of charter type. By early 2008, 386 credit unions were participating in the 7(a) program, up from 315 in early 2007.

Credit unions are bucking the trend in SBA 7(a) lending. In the last quarter of 2007, total loan origination from this program dropped to 20,000. In addition, 368 financial institutions have dropped out of the program in the last two years, a 7% decline, because slow loan turnaround times, a lack of support services for lenders, and complex rules and paperwork. Yet, credit unions and CUNA continue to navigate these stumbling blocks and encourage legislative and regulatory initiatives to make the program more practical and attractive to all credit unions.

CUNA POSITION: CUNA is a strong supporter of the 7(a) loan program, and has always advocated for the highest possible federal funding level in order to keep fee costs low and to make the program accessible to credit unions. CUNA believes that the greater the number of available sources of credit to small business, the more likely a small business will be able to secure credit and contribute to the nation's economy. CUNA also supports legislative initiatives to reduce fees associated with the 7(a) program. Also, CUNA testified in favor of the 7(a) program before the House Small Business Committee on April 30, 2008, September 27, 2007, and March 8, 2007 (see testimony below).

IMPACT ON CREDIT UNIONS: With possible increases in fees to lenders and borrowers, as well as the dearth of federal subsidies, many credit unions and other financial institutions, especially smaller ones, may be forced out of the program.

However, benefits top credit unions involved in the program include; (1) providing additional services to members; (2) maintaining a desired liquidity of assets (selling in the secondary market); and (3) attracting new members.

All credit unions that meet SBA certification requirements, regardless of field of membership type, may participate in the SBA 7(a) program.

STATUS/OUTLOOK: On February 18, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (Stimulus bill) which contains provisions impacting the Small Business Administration and credit unions.

Credit unions engaged in SBA 7(a) and 504 lending could benefit from a provision in the package that raises the percentage of a loan that the SBA can guarantee to 90% from 85%. Credit unions benefit from the increase because the guaranteed portion of such loans does not count toward the member business lending cap of 12.25%.

Other SBA provisions in the package:

- Allow small businesses to refinance existing debts under the SBA's 504 program;
- Provide \$30 million for the SBA's microloan program, which provides loans and technical assistance for low-income entrepreneurs and laid-off workers starting their own business; and
- Reduce to zero the fees for borrowers on SBA-backed loans.

On February 26, 2009, President Obama submitted his FY2010 Budget which proposed \$700 million for SBA programs.

CUNA continues to lobby Congress for modifications, funding, and enhancements to the SBA's 7(a) program so that more credit unions will find it beneficial to their members.

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RELATED DOCUMENTS:

[April 30, 2008: Testimony of Carl Sorgatz, President, Hawthorne Credit Union, before the House Small Business Committee on the Effect of the Credit Crunch on Small Business Access to Capitol](#)

[September 27, 2007: Testimony of Donald Kuczarski on behalf of CUNA regarding funding for the 7\(a\) Guaranteed Loan Program before the House Small Business Committee](#)

[March 14, 2007: CUNA President and CEO Dan Mica Letter to the House Small Business Committee in favor of H.R. 1332](#)

[March 8, 2007: Testimony of Jeff Rodman on behalf of CUNA in support of the 7\(a\) Guaranteed Loan Program before the House Small Business Committee](#)

[March 9, 2006: Testimony of Grace Mayo on behalf of CUNA regarding the 7\(a\) program before the House Small Business Committee](#)

[May 10, 2006: CUNA President and CEO Dan Mica Letter to Rep. Nydia Velazquez \(D-NY\) regarding the 7\(a\) Guaranteed Loan Program](#)

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